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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Zhongtian International Limited (中天國際控股有限公司*) (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ZHONGTIAN INTERNATIONAL LIMITED

中天國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 02379)

**(1) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF
TEN RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.03 PER RIGHTS SHARE
(2) REFRESHMENT OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to Zhongtian International Limited



TC Capital Asia Limited
天財資本亞洲有限公司

Independent financial adviser to the Independent Board Committee and the Independent Shareholders



Mitsubishi UFJ Securities (HK), Limited

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 19 January 2011. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 31 January 2011 to Friday, 11 February 2011 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Monday, 31 January 2011 to Friday, 11 February 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Mitsubishi UFJ, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 21st Floor, Huaren International Building, No. 2 Shandong Road, Shinan District, Qingdao City, Shandong Province, the PRC at 10:00 a.m. on Wednesday, 26 January 2011 is set out on pages 65 to 67 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company on or prior to 4:00 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" on pages 15 to 16 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 13 to 14 of this circular being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company and the Rights Issue will not proceed.

* for identification purposes only

10 January 2011

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only assuming that the Rights Issue will be approved by the Independent Shareholders at the First EGM. The expected timetable is subject to change, and any such changes will be announced in a separate announcement by the Company as and when appropriate.

Despatch of circular relating to the Rights Issue	Monday, 10 January 2011
Last day of dealings in Shares on a cum-rights basis	Tuesday, 18 January 2011
First day of dealings in Shares on an ex-rights basis	Wednesday, 19 January 2011
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 20 January 2011
Register of members of the Company closes (both days inclusive)	Friday, 21 January 2011 to Wednesday, 26 January 2011
Latest time for return of the form of proxy for the First EGM	10:00 a.m. on Monday, 24 January 2011
First EGM	10:00 a.m. on Wednesday, 26 January 2011
Record Date	Wednesday, 26 January 2011
Announcement of results of First EGM	Wednesday, 26 January 2011
Despatch of the Rights Issue Documents	Thursday, 27 January 2011
Register of members of the Company re-opens	Thursday, 27 January 2011
First day of dealings in nil-paid Rights Shares	Monday, 31 January 2011
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 8 February 2011
Last day of dealings in nil-paid Rights Shares	Friday, 11 February 2011
Latest time for the acceptance of and payment for the Rights Shares and for the application and payment for the excess Rights Shares	4:00 p.m. on Wednesday, 16 February 2011

EXPECTED TIMETABLE

Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 21 February 2011
Announcement of results of the Rights Issue	Friday, 25 February 2011
Despatch of refund cheques in respect of unsuccessful applications for the excess Rights Shares on or before	Monday, 28 February 2011
Despatch of certificates for fully-paid Rights Shares on or before	Monday, 28 February 2011
Commencement of dealings in full-paid Rights Shares	9:30 a.m. on Wednesday, 2 March 2011
Second EGM	Wednesday, 2 March 2011

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will not take place if there is:

- (i) a tropical cyclone warning signal number 8 or above, or
- (ii) a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in the above expected timetable may be affected. An announcement will be made by the Company in such event to notify the Shareholders as soon as practicable.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acceptance Date”	4:00 p.m. on 16 February 2011 (or such other time and/or date as the Underwriter may agree in writing with the Company as the latest time for the acceptance of and payment for the Rights Shares and for the application and payment for the excess Rights Shares);
“AGM”	the annual general meeting of the Company held on 20 May 2010;
“Articles”	the articles of association of the Company;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than Saturday, Sunday, any public holiday or a day on which either a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong) on which the Stock Exchange is open for dealings;
“BVI”	the British Virgin Islands;
“BVI Shareholder(s)”	Shareholder(s) with registered addresses (as shown in the register of members of the Company) in the BVI;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Companies Ordinance”	the Companies Ordinance (Cap.32 of the Laws of Hong Kong);
“Company”	Zhongtian International Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the directors of the Company;
“EAF(s)”	application form(s) for excess Rights Shares;

DEFINITIONS

“Fine Mean”	Fine Mean Investments Limited, a company incorporated in the BVI with limited liability, a controlling Shareholder and is wholly-owned by Mr. Chen;
“First EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 26 January 2011 for the purpose of, among other matters, considering and, if thought fit, approving the Rights Issue;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue;
“Independent Shareholders”	Shareholders other than Fine Mean, Mr. Chen and their respective associates;
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company and its subsidiaries, or any of their respective associates;
“Last Trading Day”	17 December 2010, being the date of the Underwriting Agreement;
“Latest Practicable Date”	6 January 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the memorandum of association of the Company;
“Mitsubishi UFJ”	Mitsubishi UFJ Securities (HK), Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue;

DEFINITIONS

“Mr. Chen”	Mr. Chen Jun, the Chairman of the Company, an executive Director, and a controlling Shareholder;
“New Repurchase Mandate”	subject to the completion of the Rights Issue and the approval of the proposed ordinary resolution of the Shareholders at the Second EGM, as permitted by Rule 10.06(1) of the Listing Rules, the mandate to be granted to the Directors to repurchase Shares not exceeding 10% of the Company’s issued share capital as at the date of the Second EGM;
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s);
“Overseas Shareholder(s)”	Shareholder(s) with registered addresses (as shown in the register of members of the Company) outside Hong Kong;
“PAL(s)”	provisional allotment letter(s) for the Rights Issue;
“PRC”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Posting Date”	27 January 2011, or such other date as the Underwriter may agree in writing with the Company, as the date for the despatch of the Rights Issue Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders;
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue;
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date;
“Record Date”	26 January 2011, or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined;

DEFINITIONS

“Refreshment of the Issue Mandate”	subject to the completion of the Rights Issue and the approval of the proposed ordinary resolution of the Shareholders at the Second EGM at which no Shareholder shall be required to abstain from voting, as permitted by Rule 13.36(4)(e) of the Listing Rules, to top-up the general mandate to issue new Shares from 36,171,824 Shares to the number of Shares which represents 20% of the Company’s issued share capital as at the date of the Second EGM;
“Rights Issue”	the proposed issue of the Rights Shares by the Company on the basis of ten Rights Shares for every one existing Share held on the Record Date at the Subscription Price pursuant to the terms and conditions under the Rights Issue Documents;
“Rights Issue Documents”	the Prospectus, the PAL(s) and the EAF(s);
“Rights Share(s)”	1,808,591,220 new Shares to be issued and allotted by the Company under the Rights Issue;
“Second EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 2 March 2011 for the Shareholders to consider and, if thought fit, approve (among other things) (i) the Refreshment of the Issue Mandate; and (ii) the New Repurchase Mandate;
“Settlement Date”	21 February 2011, the date being the third business day following the last date for acceptance and payment of the Rights Shares or such other date as the Underwriter and the Company may agree in writing;
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	HK\$0.03 per Rights Share;
“Underwriter”	Fine Mean, the underwriter under the Underwriting Agreement;

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 17 December 2010 entered into between the Company and the Underwriter in relation to the Rights Issue;
“Underwritten Shares”	all of the Rights Shares fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

LETTER FROM THE BOARD



ZHONGTIAN INTERNATIONAL LIMITED

中天國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 02379)

Executive Directors:

Mr. Chen Jun
Mr. Zhao Yun

Independent non-executive Directors:

Mr. Hung, Randy King Kuen
Mr. Liu Jinlu
Mr. Chen Wenping

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
Suites 2001-2005, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

10 January 2011

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF
TEN RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.03 PER RIGHTS SHARE**
- (2) REFRESHMENT OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**
- AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 17 December 2010, the Company announced that the Company proposes to raise approximately HK\$54.26 million, before expenses, by issuing 1,808,591,220 Rights Shares to the Qualifying Shareholders by way of Rights Issue at the Subscription Price of HK\$0.03 per Rights Share on the basis of ten Rights Shares for every one existing Share held on the Record Date.

** for identification purposes only*

LETTER FROM THE BOARD

Fine Mean is wholly-owned by Mr. Chen, and is the controlling Shareholder holding an aggregate of 108,042,781 Shares, representing approximately 59.74% of the existing issued share capital of the Company as at the Latest Practicable Date. Fine Mean and Mr. Chen have given an undertaking to accept or procure acceptance of all the Rights Shares to be provisionally allotted to it/him, or its/his nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue. The Rights Issue will be fully underwritten by the Underwriter (other than the Rights Shares provisionally allotted to Fine Mean and Mr. Chen) on the terms and subject to the conditions set out in the Underwriting Agreement. In the event that no Qualifying Shareholders (other than Fine Mean and Mr. Chen) take up any Rights Shares, Fine Mean, as the Underwriter, will be required to subscribe for and take up all the Rights Shares that have not been subscribed for under the Rights Issue pursuant to its obligations under the Underwriting Agreement, which will result in Fine Mean holding an aggregate of 1,861,384,001 Shares, representing approximately 93.56% of the Company's issued share capital as enlarged by the issue of Rights Shares.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue and Mitsubishi UFJ has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among others, (i) further details about the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Mitsubishi UFJ to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) further details in relation to the Refreshment of the Issue Mandate and the New Repurchase Mandate; and (v) a notice of the First EGM at which resolution will be proposed to the Independent Shareholders to consider and, if though fit, to approve the Rights Issue.

I. THE RIGHTS ISSUE

A. ISSUE STATISTICS OF THE RIGHTS ISSUE

Basis of the Rights Issue	Ten Rights Shares for every one existing Share held on the Record Date by the Qualifying Shareholders
Subscription Price	HK\$0.03 per Rights Share
Number of Shares in issue	180,859,122 Shares as at the Latest Practicable Date
Number of Rights Shares	1,808,591,220 Rights Shares, representing approximately 1,000% of the existing issued share capital of the Company and 90.91% of the enlarged issued share capital of the Company upon completion of the Rights Issue
Underwriter	Fine Mean

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had no outstanding options, convertible securities or warrants which confer any right to subscribe for, convert or exchange into the Shares.

Qualifying Shareholders

The Company will send the Rights Issue Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge their transfers of Shares (together with the relevant share certificates) with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 20 January 2011.

Closure of Register of Members

The Company's register of members will be closed from Friday, 21 January 2011 to Wednesday, 26 January 2011, both days inclusive, for the purposes of establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Rights Issue Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will make enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

LETTER FROM THE BOARD

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Having reviewed the register of members of the Company as at the Latest Practicable Date, the Company noted that there were five BVI Shareholders, representing all the Overseas Shareholders as at the Latest Practicable Date. The Company has complied with all necessary requirements specified in Rule 13.36(2)(a) of the Listing Rules and has made enquiry with its legal advisers regarding the feasibility of extending the Rights Issue to the Overseas Shareholders under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange.

The Company has been advised by its legal advisers on the laws of the BVI that if the Rights Issue is made by the Company outside the BVI and the Company is satisfied that the BVI Shareholders are business companies incorporated or registered under the BVI Business Companies Act 2004: (a) there are no securities law or other similar laws in the BVI to comply with in order to enable the Company to include the BVI Shareholders in the Rights Issue and to despatch the Rights Issue Documents to such BVI Shareholders; and (b) there are no legal restrictions or regulatory or legal requirements in the BVI that (i) prohibit the Rights Issue to be extended to the BVI Shareholders; or (ii) impose any limitation on the Rights Issue to be offered to the BVI Shareholders; or (iii) prohibit the despatch of the Rights Issue Documents to such BVI Shareholders. Based on the advice of the Company's legal advisers on the laws of the BVI, the Directors believe that the Rights Issue Documents would not be required to be registered under the laws and regulations of the BVI and may be despatched to the BVI Shareholders which are business companies incorporated or registered under the BVI Business Companies Act 2004 without any restrictions. In view of the above, the Directors have decided to extend the Rights Issue to the BVI Shareholders which the Board is, after taking reasonable steps, able to ascertain if such BVI Shareholders are business companies incorporated or registered under the BVI Business Companies Act 2004 as such BVI Shareholders will be Qualifying Shareholders. The Company will send the Rights Issue Documents to such Qualifying Shareholders.

The Company will continue to ascertain whether there is any other Overseas Shareholder on the Record Date and will, if necessary, make further enquiries with its legal advisers in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date.

LETTER FROM THE BOARD

B. TERMS OF THE RIGHTS ISSUE

1. Subscription Price

The Subscription Price for the Rights Shares is HK\$0.03 per Rights Share and is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 96.7% to the closing price of HK\$0.900 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 72.5% to the theoretical ex-rights price of HK\$0.109 per Share based on the closing price of HK\$0.900 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 98.3% to the closing price of HK\$1.800 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 84.3% to the theoretical ex-rights price of approximately HK\$0.191 per Share based on the closing price of HK\$1.800 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 96.6% to the average closing price of HK\$0.874 per Share for the five consecutive trading days up to and including the Last Trading Day; and
- (vi) a discount of approximately 96.6% to the average closing price of HK\$0.871 per Share for the ten consecutive trading days up to and including the Last Trading Day.

The net subscription price is approximately HK\$0.0294 per Rights Share.

The Board considers that the discount of the Subscription Price to closing price of the Share on the Last Trading Day is reasonable on the basis that the terms of the Rights Issue are arrived at after arms-length negotiation with the Underwriter. Besides, the Subscription Price and the size of Rights Issue are arrived at after taking into account (i) the amount of funds that the Company wishes to raise; and (ii) the prevailing market conditions accepted by the Company and the Underwriter. Although there is a large discount compared to the closing price as at the Last Trading Day, the Board considers that the Subscription Price is fair and reasonable because the discount is due to the significant size of the Rights Issue. The Board also considers that the discount will encourage existing Shareholders to take up their entitlements, so as to share the potential growth of the Company.

LETTER FROM THE BOARD

2. Basis of Provisional Allotments

Ten Rights Shares (in nil-paid form) for every one existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

3. Status of the Rights Shares

When allotted and issued fully paid, the Rights Shares will rank pari passu with the then existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared on or after the date of allotment and issue of the Rights Shares.

4. Certificates for the Rights Shares and refund cheques for Rights Issue

Subject to the fulfillment or, (where applicable) waiver of the conditions of the Rights Issue, certificates for the fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted to those entitled thereto by Monday, 28 February 2011 by ordinary post and at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Wednesday, 2 March 2011.

5. Fractions of Rights Shares

On the basis of provisional allotment of ten Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

6. Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

LETTER FROM THE BOARD

- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company at the close of business on the Record Date must lodge all necessary documents with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Thursday, 20 January 2011.

7. Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 5,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

8. Taxation

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders (if any), their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue.

It is emphasized that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

9. Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of an ordinary resolution by the Independent Shareholders approving the Rights Issue at the First EGM by way of poll;
- (ii) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of the Rights Issue Documents in compliance with the Companies Ordinance (and all other documents required to be attached thereto);
- (iii) the posting on the Posting Date of the Rights Issue Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For information only” to the Non-Qualifying Shareholders (if any);
- (iv) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such approval and not having withdrawn or revoked such listing permission on or before 4:00 p.m. on the Settlement Date;

LETTER FROM THE BOARD

- (v) the obtaining of all approvals by the Company as required under the Listing Rules or other applicable laws and regulations in respect of the Rights Issue before the Settlement Date; and
- (vi) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement.

If the conditions of the Rights Issue are not satisfied and/or waived on or before the respective dates aforesaid or such later date or dates as the Underwriter may agree with the Company in writing, all liabilities of the parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company.

If the Underwriting Agreement terminates in accordance with its terms, the Rights Issue will not proceed.

C. UNDERWRITING ARRANGEMENTS

Undertakings from Fine Mean and Mr. Chen

Fine Mean and Mr. Chen have separately and irrevocably undertaken to the Company, subject to the Rights Issue not being terminated, among other things, (i) to accept and pay for or procure the acceptance of and payment for the 1,080,427,810 and 55,250,000 Rights Shares respectively which will constitute the provisional allotment of Rights Shares in respect of the Shares beneficially owned by Fine Mean and Mr. Chen respectively; and (ii) that the 108,042,781 and 5,525,000 Shares respectively beneficially owned by Fine Mean and Mr. Chen will remain registered in the same names or the name of its/his nominee(s) at the close of business on the Record Date.

Principal terms of the Underwriting Agreement

Date: 17 December 2010

Underwriter: Fine Mean. Fine Mean is the controlling Shareholder holding 108,042,781 Shares, representing approximately 59.74% of the existing issued share capital of the Company as at the Latest Practicable Date. Fine Mean is an investment holding company whose ordinary course of business does not involve underwriting of securities and is wholly-owned by Mr. Chen, the Chairman of the Company and an executive Director

LETTER FROM THE BOARD

Number of the Underwritten Shares:	672,913,410 Rights Shares, being the difference between the total number of Rights Shares i.e. 1,808,591,220 Rights Shares which the Company proposed to issue to the Qualifying Shareholders and 1,135,677,810 Rights Shares which Fine Mean and Mr. Chen have undertaken to subscribe for as at the date of this circular
Commission:	No underwriting commission will be paid by the Company to the Underwriter

The Company had approached several securities firms and institutions on underwriting of the Rights Shares. Nevertheless, due to the relatively low market liquidity of the Shares, Fine Mean, which is a controlling Shareholder, is the only one which has expressed the willingness to support and underwrite the Rights Issue.

Termination of the Underwriting Agreement

If at any time on or before 4:00 p.m. on the Settlement Date:

- (A) there comes to the notice of the Underwriter any matter or event showing, or the Underwriter shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement to be untrue, inaccurate or misleading or as having been breached in any respect considered by the Underwriter to be material in the context of the Rights Issue; or any breach by the Company of any of its obligations or undertakings under the Underwriting Agreement to be material in the context of the Rights Issue; or
- (B) there shall be:
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change in the conditions of local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

LETTER FROM THE BOARD

- (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten Business Days save for the clearance of the announcement of the Rights Issue (if required);
- (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the reasonable opinion of the Underwriter:

- (1) likely to have an adverse effect on the business, financial position or prospects of the Group taken as a whole or the Rights Issue; or
- (2) likely to have an adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (3) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and, in such case, the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the Settlement Date, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Rights Issue shall not proceed, provided however that the Company shall pay or reimburse to the Underwriter all fees, costs and expenses which have been reasonably incurred by the Underwriter in connection with the Rights Issue provided always that prior written approval of the Company for such expenses have been obtained.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

D. REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

The gross proceeds from the Rights Issue is expected to be approximately HK\$54.26 million. The net proceeds from the Rights Issue is expected to be approximately HK\$53.26 million or approximately HK\$0.0294 per Rights Share, which is derived from deducting approximately HK\$1,000,000 expenses (i.e. comprising mainly are the professional fees and administrative expenses related to the completion of Rights Issue) from the gross proceeds from the Rights Issue. Approximately 40% of the net proceeds is intended to

LETTER FROM THE BOARD

be used as general working capital of the Group and the remaining 60% is to finance the Group in establishing a new line of business in trading of precious metals and coal. The Company believes that the new line of business will provide new sources of revenue to the Group with potential growth. The Company is seeking opportunity to set its feet in the coal trading business by importing coal from nearby countries, such as Indonesia, into the PRC. The reason for developing this industry segment is due to the strong global demand for energy related materials, particularly within the PRC. As at the Latest Practicable Date, the Company had no intention or proposal to acquire any asset, business or company for the aforesaid new business.

E. FUND-RAISING ACTIVITIES OF THE GROUP DURING THE PAST TWELVE MONTHS

The Company has not engaged in or initiated any equity fund raising exercise during the past 12 months immediately before the Latest Practicable Date or any rights issue exercise prior to such 12-month period.

F. POSSIBLE CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE RIGHTS ISSUE

As at the Latest Practicable Date, there was a total of 180,859,122 Shares in issue. There are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares as at the Latest Practicable Date.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the completion of the Rights Issue, assuming (i) there is no issue or repurchase of Shares by the Company pursuant to the general mandates granted at the AGM; and (ii) no grant of options under the share option scheme of the Company from the Latest Practicable Date and up to the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (Note 2)		Immediately after completion of the Rights Issue (Note 3)	
	<i>Number of Shares</i>	<i>App. %</i>	<i>Number of Shares</i>	<i>App. %</i>	<i>Number of Shares</i>	<i>App. %</i>
Substantial Shareholder						
Fine Mean (Note 1)	108,042,781	59.74	1,188,470,591	59.74	1,861,384,001	93.56
Director						
Mr. Chen (Note 1)	5,525,000	3.05	60,775,000	3.05	60,775,000	3.05
Public Shareholders	67,291,341	37.21	740,204,751	37.21	67,291,341	3.39
Total	<u>180,859,122</u>	<u>100</u>	<u>1,989,450,342</u>	<u>100</u>	<u>1,989,450,342</u>	<u>100</u>

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Mr. Chen, the Chairman of the Company and an executive Director, beneficially held the entire issued share capital of Fine Mean, who was therefore deemed to be interested in all the Shares held by Fine Mean for the purpose of the SFO. In addition, Mr. Chen personally and directly held 5,525,000 Shares.
2. Assuming all the Shareholders take up their respective provisional allotments of the Rights Shares in full.
3. Assuming (i) none of the Shareholders (save for Fine Mean and Mr. Chen) takes up any provisional allotments of the Rights Shares; and (ii) all the Underwritten Shares are taken up by the Underwriter pursuant to the Underwriting Agreement. The scenario under this Note 3 is for illustration purposes only as the Underwriter has entered into a placing agreement to ensure that the Company's minimum public float requirement will be maintained upon completion of the Rights Issue, further details of which are set out in the paragraph headed "Maintenance of Public Float" below.

Maintenance of Public Float

The Underwriter has undertaken to the Company that if the subscription for the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules as a result of the Rights Issue, the Underwriter shall take all necessary steps including but not limited to the engagement of a placing agent to procure subscribers/placees/sub-underwriters, who are Independent Third Parties, to subscribe for the Rights Shares which would otherwise be required to be taken up by the Underwriter in order to maintain the minimum public float requirement of the Company in compliance with the Listing Rules. In any event, the Company, together with the Underwriter, will closely monitor its shareholdings and will take such appropriate steps as may be necessary or required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules in relation to public float requirements.

To comply with aforesaid requirements, the Underwriter, having consulted with the Company, has appointed TC Capital Asia Limited, as the placing agent, to procure Independent Third Parties to take up any number of the Rights Shares up to a level that the public float (i.e. 25% of the issued share capital) of the Company could be maintained at all the time until the commencement of dealing of the Rights Shares in their fully-paid form. It is not expected that any aforesaid Independent Third Party will become a substantial Shareholder (as defined in the Listing Rules) as a result of the proposed placing arrangement.

LETTER FROM THE BOARD

G. WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES AND THE POTENTIAL DILUTION EFFECT

The Shares will be dealt on an ex-rights basis from Wednesday, 19 January 2011. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 31 January 2011 to Friday, 11 February 2011 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from Monday, 31 January 2011 to Friday, 11 February 2011 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Monday, 31 January 2011 to Friday, 11 February 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders' attention are also drawn to the fact that, for those Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Rights Shares, their corresponding interests in the Company will be significantly diluted. In addition, Shareholders' interest may be subject to further dilution if the Board decides to conduct further fund raising exercises in future. However, Shareholders can maintain their respective shareholding interests in the Company if they take up all of their provisional allotment entitlements to the Rights Shares. Besides, they can choose to dispose all or part of their provisional allotment entitlements to the Rights Shares in the market (if any) and get the sales proceeds at the expenses of dilution in their shareholding interests in the Company.

II. REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

At the AGM, a general mandate (the "Previous Issue Mandate") was granted to the Directors pursuant to an ordinary resolution of the Company to allot and issue new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution in relation thereof, and further extended by the addition thereof of an amount representing the aggregate nominal amount of share capital of the Company repurchased by the Company under the authority granted pursuant to an ordinary resolution of the Company passed at the AGM (provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the ordinary resolution) (the "Previous Repurchase Mandate").

Since the AGM, the Company has not issued or repurchased any Shares under the Previous Issue Mandate or the Previous Repurchase Mandate.

LETTER FROM THE BOARD

In view of the enlarged issued share capital of the Company as a result of the Rights Issue, the Directors will seek the approval of the Shareholders at the Second EGM and at which no Shareholder shall be required to abstain from voting, as permitted by Rule 13.36(4)(e) of the Listing Rules, that subject to the completion of the Rights Issue, to top-up the general mandate to issue new Shares from 36,171,824 Shares to the number of Shares which represents 20% of the Company's issued share capital as at the date of the Second EGM, namely the Refreshment of the Issue Mandate.

Further, the Directors will further seek the approval of the Shareholders at the Second EGM, as permitted by Rule 10.06(1) of the Listing Rules, that subject to the completion of the Rights Issue, to repurchase Shares not exceeding 10% of the Company's issued share capital as at the date of the Second EGM, namely the New Repurchase Mandate.

Subject to the completion of the Rights Issue, the Second EGM will be held on Wednesday, 2 March 2011 which is after the completion of the Rights Issue.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against the resolutions for the grant of the general mandates in relation to the Refreshment of the Issue Mandate and the New Repurchase Mandate to be proposed at the Second EGM will be set out in a further circular of the Company convening the Second EGM in due course.

III. FIRST EGM

The notice convening the First EGM is set out on pages 65 to 67 of this circular. The First EGM will be held at 21st Floor, Huaren International Building, No. 2 Shandong Road, Shinan District, Qingdao City, Shandong Province, the PRC at 10:00 a.m. on Wednesday, 26 January 2011 for the purpose of considering and, if thought fit, approving the Rights Issue.

A form of proxy for use at the First EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the First EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the First EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

IV. GENERAL

Since the completion of the Rights Issue would increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval by the Independent Shareholders at the First EGM and any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. Fine Mean is wholly-owned by Mr. Chen, and is the controlling Shareholder holding an aggregate of 108,042,781 Shares, representing approximately 59.74% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Chen is the Chairman of the Company and an executive Director. Therefore, Fine Mean, Mr. Chen and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue at the First EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the First EGM will be taken by poll and the Company will announce the results of the poll in the manner set out in Rule 13.39(5) of the Listing Rules.

Subject to the approval of the Rights Issue by the Independent Shareholders at the First EGM, the Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date, and the Prospectus will be despatched to the Non-Qualifying Shareholders (if any) for information only on the Posting Date.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Mitsubishi UFJ set out on page 22 and pages 23 to 41 respectively of this circular. The Independent Board Committee, having taken into account the advice of Mitsubishi UFJ, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the First EGM.

The Directors believe that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the First EGM to approve the Rights Issue.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Zhongtian International Limited
Chen Jun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ZHONGTIAN INTERNATIONAL LIMITED

中天國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 02379)

10 January 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE IN THE PROPORTION OF
TEN RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.03 PER RIGHTS SHARE**

We refer to the circular of the Company dated 10 January 2011 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Mitsubishi UFJ has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of Mitsubishi UFJ as set out in its letter of advice to you and us on pages 23 to 41 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the First EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Liu Jinlu
*Independent non-executive
Director*

Mr. Hung, Randy King Kuen
*Independent non-executive
Director*

Mr. Chen Wenping
*Independent non-executive
Director*

** for identification purposes only*

LETTER FROM MITSUBISHI UFJ



Mitsubishi UFJ Securities (HK), Limited

10 January 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**PROPOSED RIGHTS ISSUE IN THE PROPORTION OF
TEN RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.03 PER RIGHTS SHARE**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular to the Shareholders dated 10 January 2011 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, the Company proposes to raise approximately HK\$54.26 million, before expenses, by way of the Rights Issue. Since the completion of the Rights Issue would increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval by the Independent Shareholders at the First EGM and any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the terms of the Rights Issue, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Underwriter and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM MITSUBISHI UFJ

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Rights Issue, we have considered the following principal factors and reasons:

1. Review of financial performance/position of the Group

(i) Income statement

The Group is principally engaged in system integration, customised software products, sale of hardware and software products and maintenance and other services, property development and investment in the PRC. We summarise below the key data of the consolidated results of the Group for the past three financial years and for the most recent interim period as follows:

RMB'000	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
Turnover	6,966	8,826	5,402	5,633
Gross profit	1,503	459	491	1,050
Administrative expenses	(19,242)	(9,158)	(8,364)	(2,898)
Impairment loss of receivables, development costs, land use rights or property under development	(14,243)	(45,006)	(9,048)	—
(Loss) attributable to Shareholders	(33,004)	(55,553)	(17,542)	(1,845)
Dividend	Nil	Nil	Nil	Nil
<i>Gross profit margin</i>	<i>22%</i>	<i>5%</i>	<i>9%</i>	<i>19%</i>
Net assets	110,519	54,852	51,046	95,580

Source: Annual/Interim reports of the Company

As illustrated above, the Company has been suffering from loss-making results for the past three consecutive financial years ended 31 December 2009 and for the six months ended 30 June 2010, without paying out any dividend to Shareholders during the same years/period.

LETTER FROM MITSUBISHI UFJ

For the past three financial years ended 31 December 2009, the consolidated net assets of the Company has been on a declining trend, before rebounding as at 30 June 2010 due noticeably to completion of a very substantial acquisition and connected transaction on 25 February 2010 whereby the Group issued 60,859,122 new Shares at an issue price of HK\$0.866 per Share for the purpose of acquiring, among others, interests of shares in 青島華豐農村合作銀行 (Qingdao Huafeng Rural Co-operation Bank) and two properties located in Qingdao City, the Shandong Province, the PRC at a consideration of HK\$52,704,000.

We note that the gross profit margin of the Group improved from approximately 9% for the year ended 31 December 2009 to 19% for the six months ended 30 June 2010. Notwithstanding that, we have been advised by the Company that such improvement is not expected to be sustainable, given that the sale of intelligent electronic products from information technology segment which accounted for the vast majority (amounting to about 89%) of the total turnover of the Group during the six months ended 30 June 2010 is suffering from keen market competition subsequent to 30 June 2010.

(ii) *Financial position*

We summarise below key data of the most recent consolidated statement of financial position of the Group as at 30 June 2010:

	As at 30 June 2010	
	<i>RMB'000</i>	
Non-current assets		84,842
• Investment properties	50,400	
• Available-for-sale equity investment	34,140	
Current assets		34,218
• Trade and other receivables	6,149	
• Cash and bank balances	27,466	
Current liabilities		7,527
• Trade and other payables	6,289	
Non-current liabilities		15,953
• Deferred tax liabilities	15,953	

Source: Interim report of the Company

LETTER FROM MITSUBISHI UFJ

As illustrated above, “Investment properties” were the largest component of the Group’s assets, representing about 42% of the total assets of the Group as at 30 June 2010. We understand from the Company that they represent two properties located in Qingdao City, the Shandong Province, the PRC as acquired under a very substantial acquisition and connected transaction completed on 25 February 2010. However, we note that the two said properties contribute no (i) segment turnover nor (ii) segment result for the Group for the six months ended 30 June 2010. We have been explained by the Company that this was attributable to the lack of occupancy by any third party tenant during the period.

“Available-for-sale equity investment” was the second largest component of the Group’s assets, representing about 29% of the total assets of the Group as at 30 June 2010. Upon review of the relevant interim report of the Company, we note that it represents 2.14% equity interest in Qingdao Huafeng Rural Co-operative Bank, which was also acquired under the same aforesaid very substantial acquisition and connected transaction. It comes to our further attention that such equity investment segment contributed as to approximately RMB0.6 million equally to both (i) segment turnover and (ii) segment result of the Group for the six months ended 30 June 2010 (representing about 11% of the total turnover of the Group during the period).

2. Reasons for the Rights Issue

(i) *Use of proceeds*

The net proceeds from the Rights Issue is expected to be approximately HK\$53.26 million, out of which as to approximately 40% is intended to be used as general working capital of the Group and the remaining 60% is to finance the Group in establishing a new line of business in trading of precious metals and coal.

As far as general working capital need of the Group is concerned, we summarise below the consolidated cashflow statements of the Group for the past three financial years and for the most recent interim period as follows:

RMB'000	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
Net cash (used in)/generated from operating activities	1,471	(9,524)	(2,806)	(1,875)
Net cash (used in)/generated from investing activities	(31,928)	33,479	(8,763)	9,096
Net cash (used in)/generated from financing activities	30,363	(32,063)	11,806	—
Net change in cash and cash equivalents	(94)	(8,108)	237	7,221

Source: Annual/Interim reports of the Company

LETTER FROM MITSUBISHI UFJ

As illustrated above, we note that the Group has a track record of incurring negative levels of operating cash flows for the past two financial years consecutively, resulting in “net cash used in operating activities” (after changes in working capital) of RMB9.5 million and RMB2.8 million for the year ended 31 December 2008 and 31 December 2009 respectively.

On the other hand, we have enquired the Company on how to justify raising net proceeds for establishing a new line of business in trading of precious metals and coal. To this end, we have been explained by the Directors that:

- (1) in light of the consecutive loss-making financial performance of the Company for the past three financial years ended 31 December 2009 and for the six months ended 30 June 2010 (coupled with no dividend payout to Shareholders during the same years/period), the Group has been proactively studying, identifying and exploring other business sectors with growth potentials in addition to its information technology business to diversify its income stream; and
- (2) in view of the strong global demand for energy related materials, particularly within the PRC, the Company seeks to establish a new line of business in importing coal from nearby countries, such as Indonesia, into the PRC so as to provide new sources of revenue to the Group with potential growth.

Upon enquiry, we understand from the Directors the details of this new line of business to be as follows:

Target core product	Thermal coal
Target customers	Thermal power plants
Target geographical market	the PRC
Target suppliers	Coal mine(s) in Indonesia
Target OPEX and/or CAPEX requirement	Approximately HK\$32.0 million (being 60% of the net proceeds from the Rights Issue), which is derived with reference to (amongst others) the target product selling price and the target product quantity to be traded
Target business model	<ul style="list-style-type: none">• no warehouse for inventory is required• no sales & distribution network is required• immaterial marketing cost is expected
Target mode of settlement	<ul style="list-style-type: none">• Letter of credit (for amount exceeding a certain limit)• Telegraphic transfer (for amount below a certain limit)
Sales’ contracts signed?	Not yet
Suppliers’ contracts signed?	Not yet

Source: the Company

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As far as industry overview on the PRC coal import market is concerned,

- (1) according to 中國產業安全指南網 (China Industry Security Guide) (acs.gov.cn), in the whole year of 2009, PRC's total coal imports amounted to 125.8 million tons (representing an increase of approximately 211.9%); whereas PRC's total coal exports was 22.4 million tons (representing a reduction of approximately 50.7%), resulting in net total imports of 103.4 million tons of coal. Prior to 2009, the PRC had been a net exporter of coal;
- (2) according to 中國礦業報 (China Mining Report) (nmg.xinhuanet.com), PRC customs data shows that in the first four months of 2010, PRC's coal imports from Indonesia, Australia and Vietnam accounted for 41.1%, 22.0% and 11.2% of the total imports respectively, up generally from the corresponding proportions of 24.1%, 34.5% and 19.1% in 2009. Indonesia was expected to become the PRC's largest source of coal imports; and
- (3) according to the Company, Indonesia is geographically closer to the PRC (ports in southern part) than Australia, enjoying less than 7 days' transportation lead time normally. Indonesia also has competitive advantage of cheaper operating costs than Australia.

As at the Latest Practicable Date, the Company has no intention or proposal to acquire any asset, business or company for the aforesaid new business.

We consider that the Rights Issue is a means to enlarge the Company's capital base under which all Qualifying Shareholders are offered with an equal opportunity to participate therein.

(ii) *Alternative modes of fund raising*

The Company has not engaged in or initiated any equity fund raising exercise during the past 12 months immediately before the Latest Practicable Date or any rights issue exercise prior to such 12-month period.

Upon our enquiry, we are confirmed by the Directors that the Group has considered other fund raising methods alternative to the Rights Issue such as placing of new Shares/warrants, issue of convertible bond/note, bank borrowings and open offer. We have discussed with the Directors and understand it is their concerns that

- (1) only a limited pool of placees or investors can be eligible to participate in the case of placement of new Shares/warrants, which usually is associated with unilateral dilution to all existing Shareholders given a discount to market price per Share;
- (2) the burden of (a) principal repayment and (b) interest costs would be incurred on the part of the Group in the case of issuing convertible bond/note or seeking for bank borrowings.

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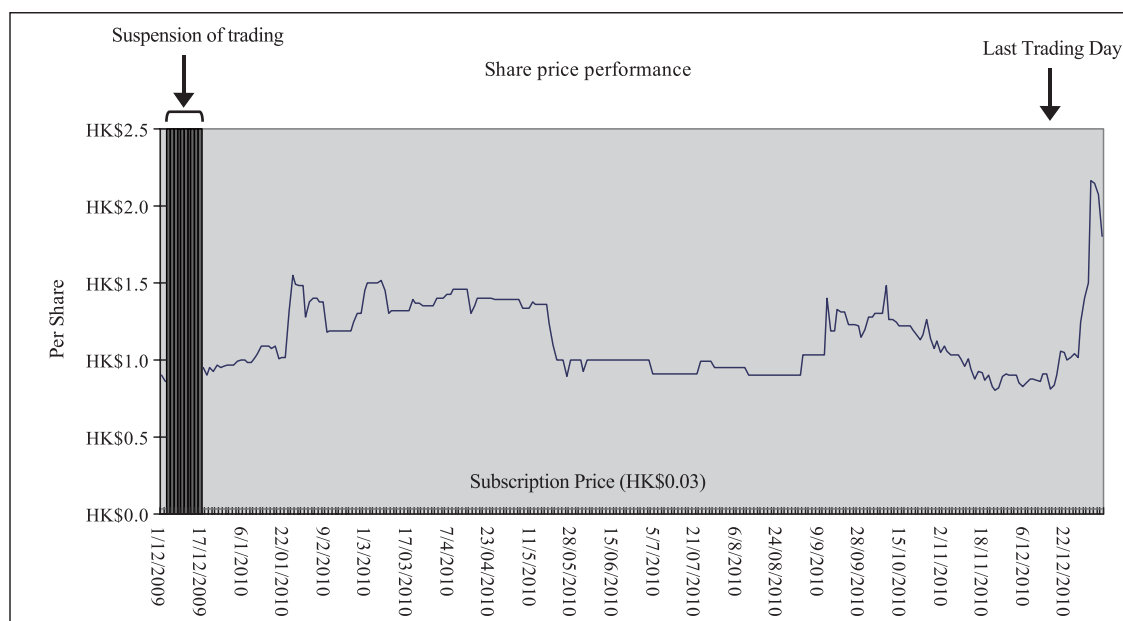
The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs.

Rather than attempting to place new Shares/warrants, and rather than attempting to issue convertible bond/note or to seek for bank borrowings, the Directors consider that the Rights Issue has the merit of allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Rights Shares and participate in the future growth of the Group.

Rather than attempting to put forward an open offer, the Directors consider that the Rights Issue has the merit of entitling the Qualifying Shareholders to sell the nil-paid Rights Shares in the market for possible economic benefit, should the Qualifying Shareholders decide not to take up their provisional entitlements under the Rights Issue.

3. Subscription Price

For the purpose of comparing the Subscription Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 December 2009 to the Last Trading Date and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Bloomberg

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During the Review Period, the lowest closing price was HK\$0.80 per Share recorded on 23 November 2010 and the highest closing price was HK\$2.16 per Share recorded on 3 January 2011. The Subscription Price represents a discount of approximately 96.3% to the said lowest closing price per Share (and a discount of approximately 98.6% to the said highest closing price per Share) during the Review Period.

We note that the trading of the Shares was suspended in from 9:30 a.m. on 3 December 2009 pending the release of the Company's announcement on (i) very substantial acquisition and connected transaction; (ii) very substantial disposal and connected transaction; (iii) and whitewash waiver. Trading in the Shares resumed with effect from 9:30 a.m. on 17 December 2009.

The table below summarises the discount of the Subscription Price of HK\$0.03 per Share to closing market prices per Share and net asset value per Share:

	(Closing) price per Share	Discount of the Subscription Price to (closing) price per Share
(i) On the Last Trading Day	HK\$0.900	96.7%
(ii) Theoretical ex-rights price per Share based on the closing Share price on the Last Trading Day	HK\$0.109	72.5%
(iii) Average for the 5 consecutive trading days up to and including the Last Trading Day	HK\$0.874	96.6%
(iv) Average for the 10 consecutive trading days up to and including the Last Trading Day	HK\$0.871	96.6%
(v) Average for the 30 consecutive trading days up to and including the Last Trading Day	HK\$0.893	96.6%
(vi) Average for the 90 consecutive trading days up to and including the Last Trading Day	HK\$1.040	97.1%
(vii) Average for the 180 consecutive trading days up to and including the Last Trading Day	HK\$1.078	97.2%
(viii) Average for the 250 consecutive trading days up to and including the Last Trading Day	HK\$1.120	97.3%
(ix) On the Latest Practicable Date	HK\$1.800	98.3%
(x) Theoretical ex-rights price per Share based on the closing Share price on the Latest Practicable Date	HK\$0.191	84.3%
(xi) Unaudited consolidated net asset value per Share as at 30 June 2010 (being RMB95,580,000 as divided by 180,859,122 Shares in issue)	approximately HK\$0.607	95.1%

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As illustrated in the above table, the Subscription Price represents a range of discounts of approximately 72.5% to 98.3% to (average) closing price per Share under a series of time spectrum. In addition, the Subscription Price represents a discount of approximately 95.1% to the unaudited consolidated net asset value per Share as at 30 June 2010.

(i) *Industry Comparables*

In view of the significant discounts of the Subscription Price to both (i) the prevailing market price per Share and (ii) the net asset value per Share, for comparison purpose with reference to a combined list of companies as generated by ETnet and infocast, we have identified (to our best knowledge) a total of six companies (the “Industry Comparables”) listed on the Main Board of the Stock Exchange which are under industry classification of “information technology- software & services/IT hardware” and with market capitalisation not exceeding HK\$500 million (which is equivalent to (1) the highest market capitalisation of about HK\$376 million ever attained by the Company since its listing on the Stock Exchange on 22 September 2004 plus (2) an upward buffer of 1/3), details of which are set out below:

Company	Stock code	Principal activity	Market capitalisation ¹ (1)	Net profit attributable to shareholders ² (2)	P/E (3) = (1)/(2) (times)	Net asset value ² (4)	P/B (5) = (1)/(4) (times)	EV/ EBITDA ¹ (times)
Universal Technologies Holdings Ltd	1026	Provision of payment solutions and related services, furniture manufacturing, timber trading and other trading	HK\$443,026,496	HK\$ 28,478,000	15.6	HK\$ 271,346,000	1.6	12.0
Computer & Technologies Holdings Ltd	46	Provision of system and network integration services, application development services, IT solutions implementation and outsourcing; enterprise software applications and outsourcing and e-business services; property and treasury investments	HK\$424,583,392	HK\$ 43,880,000	9.7	HK\$ 355,676,000	1.2	3.6
EC-Founder Holdings Co Ltd	618	Distribution of information products	HK\$403,712,704	HK\$ 33,325,000	12.1	HK\$ 323,941,000	1.2	11.3
ABC Communications Holdings Ltd	30	Providing financial information services, wireless applications development, securities trading system licensing	HK\$398,583,488	(HK\$ 5,266,108)	N/A	HK\$ 46,447,522	8.6	N/A

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Company	Stock code	Principal activity	Market capitalisation ¹ (1)	Net profit attributable to shareholders ² (2)	P/E (3) = (1)/(2) (times)	Net asset value ² (4)	P/B (5) = (1)/(4) (times)	EV/EBITDA ¹ (times)
Wai Chun Group Holdings Ltd	1013	Integration services of computer and sale of communication systems and equipment for intelligent buildings; design, consultation, production of information system software and management training services	HK\$377,381,408	(HK\$ 24,272,000)	N/A	HK\$ 56,564,000	6.7	N/A
CIL Holdings Ltd	479	Providing comprehensive solutions and distribution of server storage, multi-media and communication products	HK\$154,372,896	(HK\$ 274,000)	N/A	(HK\$ 110,582,000)	N/A	146.2
		<i>Median =</i>			12.1		1.6	11.6
		<i>Mean =</i>			12.4		3.9	43.3
		<i>Maximum =</i>			15.6		8.6	146.2
		<i>Minimum =</i>			9.7		1.2	3.6
Company	2379	System integration, customised software products, sale of hardware and software products and maintenance and other services, property development and investment	HK\$162,773,200	(RMB 17,542,000)	N/A	RMB 95,580,000	1.5	N/A
Subscription Price			HK\$5,425,774	(RMB 17,542,000)	N/A	RMB 95,580,000	0.05	N/A

Source: ETnet, infocast, Bloomberg and www.hkex.com.hk

Note:

1. Based on the latest closing share price as published by the Last Trading Day
2. Based on the latest financial data (net profit/net asset value) as published in the respective annual/interim reports by the Last Trading Day

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Upon comparison, the price/book multiple as represented by the Subscription Price of approximately 0.05 times is significantly lower than the range of the Industry Comparables from about 1.2 times to 8.6 times. Solely on such basis, we consider the Subscription Price to be not attractive. If any Qualifying Shareholder does not participate in the Rights Issue by not taking up his provisional allotments of the Rights Shares to which they are entitled, (i) the Underwriter (or subscribers/placees/sub-underwriters to be arranged thereby) and/or (ii) other Qualifying Shareholders who apply for excess application of the Rights Shares would take up the shortfall of the Underwritten Shares at the Subscription Price, which is at a significant discount to both (i) the prevailing market price per Share and (ii) the net asset value per Share. As a result, the interests of these Qualifying Shareholders who do not take up the Rights Shares in the Company will be diluted significantly, notwithstanding that these Qualifying Shareholders are entitled to sell the nil-paid Rights Shares in the market for possible economic benefit.

As the Company was loss-making for the past financial year ended 31 December 2009, it would not be applicable for us to assess the Subscription Price by means of the price/earnings multiple approach. As an alternative comparison, we cannot assess the Subscription Price by means of the EV/EBITDA multiple approach either, because the EBITDA level of the Company for the past financial year ended 31 December 2009 was negative (source: Bloomberg).

(ii) *Rights Issue Comparables*

For further assessment purpose, we have identified 19 companies listed on the Stock Exchange (the “Rights Issue Comparables”) which proposed rights issue or open offer during the latest 2-month period up to and including the Last Trading Day, based on published announcements on the website of the Stock Exchange, details of which are set out below:

Date	Company name	Stock Code	Basis of entitlement	Maximum dilution	Discount of the subscription price to		Underwriting commission
					the (adjusted) closing price on the last trading day prior to the date of announcement	the theoretical ex-right price on the last trading day prior to the date of announcement	
17-Dec-10	Culturecom Holdings Limited	343	1 for 2	50.0%	(41.7%)	(32.7%)	Not disclosed
15-Dec-10	China Investment Fund Company Limited	612	2 for 1 consolidated share	200.0%	(76.0%)	(51.3%)	2.5%
13-Dec-10	Wang On Group Limited	1222	8 for 1 adjusted share with 1 bonus share for 8 rights shares	900.0%	(87.7%)	(37.9%)	3.0%

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Date	Company name	Stock Code	Basis of entitlement	Maximum dilution	Discount of		Underwriting commission
					the (adjusted) closing price on the last trading day prior to the date of announcement	the subscription price to the theoretical ex-right price on the last trading day prior to the date of announcement	
9-Dec-10	Shangri-La Asia Limited	69	1 for 12	8.3%	(5.8%)	(5.4%)	1.0%
1-Dec-10	Champion Technology Holdings Limited	92	4 for 9	44.4%	(37.8%)	(29.6%)	2.5%
1-Dec-10	Mitsumaru East Kit (Holdings) Limited	2358	15 for 4	375.0%	(89.4%)	(63.9%)	2.0%
29-Nov-10	China Yunnan Tin Minerals Group Company Limited	263	8 for 1	800.0%	(87.8%)	(44.4%)	3.0%
25-Nov-10	Forefront Group Limited	885	8 for 1 adjusted share	800.0%	(86.6%)	(41.6%)	3.0%
23-Nov-10	China Grand Pharmaceutical and Healthcare Holdings Limited	512	1 for 3	33.3%	(21.6%)	(17.1%)	3.5%
19-Nov-10	Morning Star Resources Limited	542	5 for 1 with 2 bonus shares for 5 offer shares	700.0%	(89.5%)	(45.1%)	2.5%
16-Nov-10	Dah Sing Banking Group Limited	2356	1 for 10	10.0%	(40.9%)	(38.7%)	2.3%
16-Nov-10	Dah Sing Financial Holdings Limited	440	1 for 8	12.5%	(40.0%)	(37.2%)	2.3%
10-Nov-10	Industrial and Commercial Bank of China Limited	1398	0.45 for 10	4.5%	(47.4%)	(46.2%)	Not disclosed
5-Nov-10	Qunxing Paper Holdings Company Limited	3868	1 for 2	50.0%	(80.3%)	(73.1%)	2.5%
2-Nov-10	China Construction Bank Corporation	939	0.7 for 10	7.0%	(42.7%)	(41.0%)	Not disclosed
29-Oct-10	Inno-Tech Holdings Limited	8202	10 for 1 adjusted share	1,000.0%	(72.3%)	(19.3%)	3.0%
28-Oct-10	Bank of China Limited	3988	1 for 10	10.0%	(41.2%)	(39.0%)	Not disclosed
27-Oct-10	Aptus Holdings Limited	8212	3 for 1 adjusted share	300.0%	(69.7%)	(37.5%)	2.5%
20-Oct-10	Ching Hing (Holdings) Limited	692	8 for 1	800.0%	(81.8%)	(33.3%)	2.5%
			Median =	50.0%	(69.7%)	(38.7%)	2.5%
			Mean =	321.3%	(60.0%)	(38.6%)	2.5%
			Maximum =	1,000.0%	(5.8%)	(5.4%)	3.5%
			Minimum =	4.5%	(89.5%)	(73.1%)	1.0%
17-Dec-10	the Company		10 for 1	1,000.0%	(96.7%)	(72.5%)	0.0%

Source: www.hkex.com.hk

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Upon comparison, we note that

- (1) the discount of the Subscription Price to the closing price on the Last Trading Day of approximately 96.7% is deeper than the range of the Rights Issue Comparables from approximately 5.8% to 89.5%;
- (2) the discount of the Subscription Price to the theoretical ex-right price on the Last Trading Day of approximately 72.5% is deeper than the median and the mean of the Rights Issue Comparables of approximately 38.7% and 38.6% respectively; and
- (3) the maximum dilution (as represented by the basis of entitlement) of 1,000.0% under the Rights Issue is larger than the median and the mean of the Rights Issue Comparables of approximately 50.0% and 321.3% respectively.

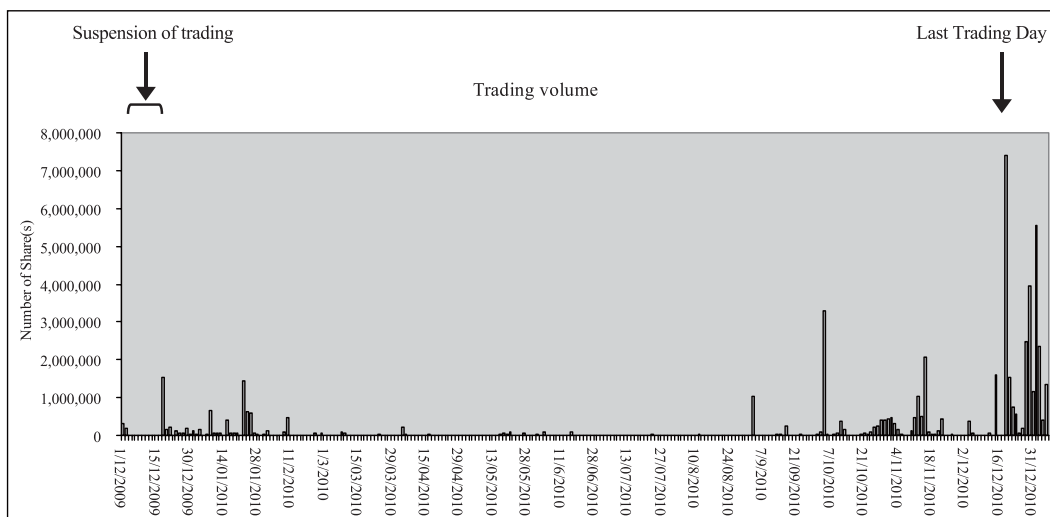
Solely based on the foregoing, we again consider that the Subscription Price to be not attractive.

However, taking into an overall account from wider perspectives that:

- (1) the zero underwriting commission payable by the Company to the Underwriter under the Rights Issue is lower than the range of the Rights Issue Comparables from 1.0% to 3.5%;
- (2) the low liquidity of Shares recorded up to and including the Last Trading Day during the Review Period, as demonstrated by (i) daily turnover of merely about 98,806 Shares, representing only about 0.05% of a total of 180,859,122 Shares in issue as at the date of the Underwriting Agreement; and (ii) zero trading volume of the Shares recorded on 127 Trading Days on the Stock Exchange out of a total of 252 trading days; and
- (3) the Company has been suffering from loss-making results for the past three consecutive financial years ended 31 December 2009 and for the six months ended 30 June 2010, without paying out any dividend to Shareholders during the same years/period,

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we consider that the Subscription Price is, on balance, acceptable so far as the Independent Shareholders are concerned. For graphical presentation of data under point (3) above, we plot the trading volume of the Shares traded during the Review Period as follows:



Source: Bloomberg

4. Financial effects of the Rights Issue

(i) Cashflow

According to the latest published interim report of the Company, the unaudited cash and bank balances of the Group were approximately RMB27.5 million as at 30 June 2010. Immediately upon completion of the Rights Issue, the net proceeds raised for the Company is expected to be approximately HK\$53.26 million, out of which as to approximately 40% is intended to be used as general working capital of the Group and the remaining 60% is to finance the Group in establishing a new line of business in trading of precious metals and coal.

As far as the new line of business in trading of precious metals and coal is concerned, we understand from the Directors that other than 60% of the net proceeds to be raised from the Rights Issue for the purpose of supporting the funding needs for coal trading no material CAPEX nor OPEX commitment on the part of the Group is expected to arise upon and after completion of the Rights Issue for supporting such new line of business.

On the above basis, the cash position of the Group is expected to be improved immediately upon completion of the Rights Issue.

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(ii) *Net Asset*

According to the latest published interim report of the Company, the unaudited consolidated net assets of the Group were RMB95.6 million as at 30 June 2010. According to the “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group” as set out in the Appendix II to the Circular, the unaudited consolidated adjusted net tangible assets of the Group would increase to approximately HK\$163.1 million as a result of completion of the Rights Issue. On such basis, the net (tangible) assets of the Group are expected to be improved immediately upon completion of the Rights Issue.

However, given that the Subscription Price of HK\$0.03 per Share represents a significant discount of approximately 95.1% to the unaudited consolidated net asset value of HK\$0.607 per Share as at 30 June 2010, the unaudited consolidated adjusted net tangible asset value per Share would reduce to HK\$0.082 as a result of completion of the Rights Issue. On such basis, the net (tangible) asset value per Share is expected to be worsened immediately upon completion of the Rights Issue.

(iii) *Gearing*

According to the Group’s indebtedness statement as set out in the Appendix I to the Circular, the total indebtedness of the Group was nil as at 30 November 2009. On such basis, and given that the net (tangible) assets of the Group are expected to be improved immediately upon completion of the Rights Issue, the gearing ratio (defined as the total indebtedness as divided by the net (tangible) assets) of the Group is expected to be theoretically improved immediately upon completion of the Rights Issue.

(iv) *Earnings*

We consider that the effect of the Rights Issue on the earnings of the Group will largely depend on the actual profit and loss performance of the new line of business in trading of precious metals and coal intended to be established by the Group by way of funding out of approximately 60% of net proceeds to be raised from the Rights Issue.

5. **Underwriting commission**

As set out in the Letter from the Board, the Company had approached several securities firms and institutions on underwriting of the Rights Shares. Nevertheless, due to the relatively low market liquidity of the Shares, Fine Mean, which is a controlling Shareholder, is the only one which has expressed the willingness to support and underwrite the Rights Issue.

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In order to assess the underwriting commission percentage charged by the Underwriter, we set out the underwriting commission rates actually charged by the underwriters of the Rights Issue Comparables in the table under the foregoing section headed “Subscription Price”.

Upon comparison, we note that zero underwriting commission will be payable by the Company to the Underwriter under the Rights Issue, which is lower than the range of the Rights Issue Comparables from 1.0% to 3.5%. On such basis, we consider that the underwriting commission under the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

6. Dilution to shareholding interests of the public Shareholders

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (Note 2)		Immediately after completion of the Rights Issue (Note 3)	
	Number of Shares	App.%	Number of Shares	App.%	Number of Shares	App.%
Substantial Shareholder						
Fine Mean (Note 1)	108,042,781	59.74	1,188,470,591	59.74	1,861,384,001	93.56
Director						
Mr. Chen (Note 1)	5,525,000	3.05	60,775,000	3.05	60,775,000	3.05
Public Shareholders	<u>67,291,341</u>	<u>37.21</u>	<u>740,204,751</u>	<u>37.21</u>	<u>67,291,341</u>	<u>3.39</u>
Total	<u>180,859,122</u>	<u>100</u>	<u>1,989,450,342</u>	<u>100</u>	<u>1,989,450,342</u>	<u>100</u>

Notes:

- Mr. Chen, the Chairman of the Company and an executive Director, beneficially holds the entire issued share capital of Fine Mean, who is therefore deemed to be interested in all the Shares held by Fine Mean for the purpose of the SFO. In addition, Mr. Chen personally and directly holds 5,525,000 Shares.
- Assuming all the Shareholders take up their respective provisional allotments of the Rights Shares in full.

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3. Assuming (i) none of the Shareholders (save for Fine Mean and Mr. Chen) takes up any provisional allotments of the Rights Shares; and (ii) all the Underwritten Shares are taken up by the Underwriter pursuant to the Underwriting Agreement. The scenario under this Note 3 is for illustration purposes only as the Underwriter has entered into a placing agreement to ensure that the Company's minimum public float requirement will be maintained upon completion of the Rights Issue.

As illustrated in the table above, assuming none of the Shareholders (save for Fine Mean and Mr. Chen) takes up any provisional allotments of the Rights Shares, the aggregate shareholding interests of the public Shareholders is expected to be diluted significantly from approximately 37.21% to approximately 3.39% immediately upon completion of the Rights Issue. Solely on such basis, we consider such potential significant dilution to the shareholding interests of the public Shareholders under the Rights Issue to be not attractive.

However, taking into an overall account from wider perspectives that:

- (1) the Rights Issue is a means to enlarge the Company's capital base under which all Qualifying Shareholders are offered with an equal opportunity to participate therein;
- (2) unlike under an open offer, the Qualifying Shareholders are entitled under the Rights Issue to sell the nil-paid Rights Shares in the market for possible economic benefit, should the Qualifying Shareholders decide not to take up their provisional entitlements under the Rights Issue (subject to the then prevailing market condition);
- (3) unlike under a rights issue where arrangement for excess application is absent if so specifically approved by shareholders pursuant to Rule 7.21(2), the Qualifying Shareholders are entitled under the Rights Issue to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the other Qualifying Shareholders; and
- (4) the Company has been suffering from loss-making results for the past three consecutive financial years ended 31 December 2009 and for the six months ended 30 June 2010, without paying out any dividend to Shareholders during the same years/period,

we consider that the potential significant dilution to the shareholding interests of the public Shareholders under the Rights Issue to be, on balance, acceptable so far as the Independent Shareholders are concerned.

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7. Risk factors

During the course of our assessment, we note the following key risk factors under the Rights Issue:

- (i) *The Group's lack of track record on operating new line of business in trading of precious metals and coal*

We understand from the Company that the new line of business in trading of precious metals and coal has yet to start. It is unclear as to the feasibility of the business model. Since the Company itself does not have experience in such new line of business, it is not in a position to ascertain the timing and amount of any return or benefits that may be received from such new business.

If the proposed business plan in which the Company attempts to develop does not progress as planned, we consider that the Company may not recover the funds and resources it has spent, and this may adversely affect the Company's financial performance.

- (ii) *Excess application for Rights Shares (which is unlimited in dollar amount by any Qualifying Shareholder) could theoretically expose the Company to the risk of emergence of a new controlling Shareholder immediately upon completion of the Rights Issue*

Assuming (i) none of the Shareholders (save for Fine Mean and Mr. Chen) takes up any provisional allotments of the Rights Shares; and (ii) a single Qualifying Shareholder applies aggressively by way of excess application for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the other Qualifying Shareholders, then the Company could theoretically be exposed to the risk of emergence of a new controlling Shareholder having approximately 37.21% shareholding interests in the Company immediately upon completion of the Rights Issue.

Under such circumstances, we consider that the new controlling Shareholder may by way of exercising his/ its voting rights (or relevant veto power) be in a position to exert significant influence on the affairs and/or management of the Company, thereby creating uncertainty to the business direction of the Company in future.

RECOMMENDATION

Having considered the principal factors and reasons, we have concerns on

- (1) the significant discounts of the Subscription Price to both (i) the prevailing market price per Share and (ii) the net asset value per Share; and
- (2) the potential significant dilution to the shareholding interests of the public Shareholders.

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However, taking into an overall account from wider key perspectives that:

- (3) unlike under an open offer, the Qualifying Shareholders are entitled under the Rights Issue to sell the nil-paid Rights Shares in the market for possible economic benefit, should the Qualifying Shareholders decide not to take up their provisional entitlements under the Rights Issue (subject to the then prevailing market condition);
- (4) unlike under a rights issue where arrangement for excess application is absent if so specifically approved by shareholders pursuant to Rule 7.21(2), the Qualifying Shareholders are entitled under the Rights Issue to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the other Qualifying Shareholders;
- (5) the zero underwriting commission payable by the Company to the Underwriter under the Rights Issue is lower than the range of the Rights Issue Comparables from 1.0% to 3.5%;
- (6) the low liquidity of Shares recorded up to and including the Last Trading Day during the Review Period, as demonstrated by (i) daily turnover of merely about 98,806 Shares, representing only about 0.05% of a total of 180,859,122 Shares in issue as at the date of the Underwriting Agreement; and (ii) zero trading volume of the Shares recorded on 127 Trading Days on the Stock Exchange out of a total of 252 trading days;
- (7) in light of the consecutive loss-making financial performance of the Company for the past three financial years ended 31 December 2009 and for the six months ended 30 June 2010 (coupled with no dividend payout to Shareholders during the same years/period), the Group has been proactively studying, identifying and exploring other business sectors with growth potentials in addition to its information technology business to diversify its income stream; and
- (8) in view of the strong global demand for energy related materials, particularly within the PRC, the Company seeks to establish a new line of business (to be funded from 60% of net proceeds from the Rights Issue) in importing coal from nearby countries, such as Indonesia, into the PRC so as to provide new sources of revenue to the Group with potential growth,

we consider, from an approach putting more weight on the notion that the Rights Issue is a means to enlarge the Company's capital base under which all Qualifying Shareholders are offered with an equal opportunity to participate therein, that the terms of the Rights Issue are, on balance, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the First EGM for approving the Rights Issue.

Yours faithfully,
For and on behalf of
Mitsubishi UFJ Securities (HK), Limited
Harry Yu
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2007, 2008 and 2009 is disclosed in the annual reports of the Company for the years ended 31 December 2007 (pages 28 to 83), 2008 (pages 26 to 83) and 2009 (pages 31 to 95) respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.irasia.com/listco/hk/zhongtian). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2007, 2008 and 2009.

2. UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2010 together with the relevant notes to aforesaid financial statements are disclosed in the interim report of the Company for the six months ended 30 June 2010 (pages 3 to 17), which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.irasia.com/listco/hk/zhongtian).

3. INDEBTEDNESS

At the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group, apart from intra-group liabilities, did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2010**Overview**

During the six months ended 30 June 2010, the Group was principally engaged in three major business segments, which were information technology, equity investment and property investment respectively.

Information Technology

The Group had gradually faded out from the markets of software services for the financial industry and other industries. Meanwhile, taking the advantage of the Group's existing technology, human and marketing resources, the development and sale of intelligent electronic products, including sales of carpark management systems, building alarm systems and surveillance systems, became a project with fewer obstructions in the course of the transition to the Group's diversified operation. As a result of the economic growth of and the growth in the property market in the PRC, the Group believed that such sales, which initially embodied the advantage of low input and high output, were of a vast market and a promising development prospect and had been valued highly by the Group. For the six months ended 30 June 2010, the sale of intelligent electronic products represents 89.5% of the total turnover of the Group.

Equity Investment

Given the continued boom in the local banking industry in recent years, the Board had acquired its equity interests in commercial banks by acquisitions of enterprises and to generate a sustained and stable cash flow through dividend return on the equity interests held by it. For details on the above acquisition of the equity interests in commercial banks, please refer to the circular issued by the Group dated 29 January 2010. The relevant acquisition had been completed on 25 February 2010.

Property Investment

Influenced by international situation and China's macro-control policies, the level of land tenure and development cost, building materials and wages continued to rise, which posed a heavy burden to the financial condition of the Group. The Board, after analysis and discussion, disposed the "Zhongtian Software Park" Project located at Laoshan District, Qingdao City to mitigate the pressure on the liquidity of the Group.

As the commercial property rentals in Qingdao City remained at high level, it was expected that the property lease market would be able to keep its boom within a particular period. After analysis and consideration, the Board decided to acquire quality properties that have potentials for appreciation in the long run for the Group. The properties were also available for lease to provide stable rental income. For details on the above disposal of Zhongtian Software Park and the acquisition of properties, please refer to the circular issued by the Group dated 29 January 2010. The relevant disposal/acquisition had been completed on 25 February 2010.

FINANCIAL REVIEW

Turnover and Gross Profit Margin

The Group's total turnover for the six months ended 30 June 2010 was approximately RMB5,633,000, representing an increase of 72% from approximately RMB3,269,000 of the same period in last year. This was mainly attributable to the growth in sales of intelligent electronic products. The gross profit margin increased by 10% from 9% in 2009 to 19% in 2010.

Distribution Costs

During the six months ended 30 June 2010, the Group postponed all the marketing activities due to the lack of large-scale tender projects. There is no distribution cost for the six months ended 30 June 2010 (30 June 2009: Nil).

General and Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2010 were approximately RMB2,898,000 (corresponding period in 2009: approximately RMB3,420,000), representing a decrease of approximately 15% over the corresponding period in 2009.

Net Loss

During the six months ended 30 June 2010, the Group recorded a net loss of approximately RMB1,845,000, improved as compared to the net loss of approximately RMB2,156,000 for the corresponding period last year. This was attributable to the effect of the decrease in general and administrative costs together with a gain in gross profit during the six months ended 30 June 2010.

BUSINESS REVIEW

Analysis by Business Segment

During the six months ended 30 June 2010, the Group's principal source of income was derived from the sale of intelligent electronic products from information technology segment, which accounted for 89% of the total turnover of the Group. Equity investment segment accounts for the remaining 11% of the total turnover. During the six months ended 30 June 2010, all of the Group's income was derived from Shandong Province, accounting for 100% of the Group's total turnover.

Liquidity, Financial Resources and Capital Structure

The Group's capital requirement represents mainly working capital in relation to the sale of information technology products, costs of business expansion and investment. The Group used to finance its operation and investment from operating income and internal resources.

As at 30 June 2010, the Group had cash and bank balances of approximately RMB27,466,000 of which 80% and 20% was held in RMB and HK\$ respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0%. During the six months ended 30 June 2010, the Group did not employ any material financial instrument for hedging purposes.

7. BUSINESS AND TRADING PROSPECTS

The Group believes that it is able to explore potential market in the non-finance sector by leveraging on its experiences gained from the provision of Rural Credit Co-operations services, its leading position in the information technology industry and its own strengths. Meanwhile, the Group has been proactively studying, identifying and exploring other business sectors with huge growth potentials in addition to its information technology business to diversify its income stream. As the commercial property rental remained at high level and the banking industry was booming in Qingdao City, after analysis and consideration, the Group planned to acquire certain equity interests in local banks and to hold quality properties with long-term investment value in 2010, so as to replenish the Group's assets. Moreover, the Group will conduct a detailed assessment on the feasibility of aggrandizing investment in banking and property sectors.

The gross profit margin of the Group improved from approximately 9% for the year ended 31 December 2009 to 19% for the six months ended 30 June 2010. Due to keen competition encountered in the sales of intelligent electronic products, it is expected that the gross profit margin may not be maintained at the same level in the second half of 2010. The Group will continue to promote the development and sales of intelligent components products and consolidate the business divisions of the existing and newly acquired subsidiaries to secure its major source of income.

Meanwhile, the Group secured quality resources on commercial properties through acquisition that was completed at the beginning of 2010 and properly planned for leasing. Apart from certain portion reserved for self use of the Group, in order to fulfill the requirements of potential lessees and to further increase the rentable area, the acquired properties have been undergoing renovation since the second half of 2010. Though no rental income has been generated during 2010, with the completion of the renovation in 2011, the acquired properties are expected to generate steady rental income in the future. The Group also considered the possibility of further investment in commercial properties. On the other hand, given that the prospect for a rapid development of the local banking industry in Qingdao City, it is expected that the equity interests in banks acquired by the Group through acquisition will continue to generate stable income. However, aside from the current investments in the banking and property sectors, the Company does not have any immediate plans to invest further into these sectors.

In order to further diversify its income stream, the Directors will apply approximately 60% of the net proceeds from the Rights Issue, i.e. approximately HK\$32.0 million in establishing a new business line in trading of precious metals and coal. The Company believes that the new line of business will provide new sources of revenue to the Group with potential growth. The Company is seeking opportunity to set its feet in the coal trading business by importing coal from nearby countries, such as Indonesia, into the PRC. The reason for developing this industry segment is due to the strong global demand for energy related materials, particularly within the PRC. As at the Latest Practicable Date, the Company has no intention or proposal to acquire any asset, business or company for the aforesaid new business.

8. MAJOR ACQUISITION OF THE GROUP AFTER THE DATE OF THE LATEST PUBLISHED ACCOUNTS OF THE COMPANY

On 3 December 2009, the Company's wholly-owned subsidiary, New East Glory Limited (the "Purchaser") and Mr. Chen entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser had conditionally agreed to acquire and Mr. Chen had conditionally agreed to sell the entire issued share capital of Great Miracle Holdings Limited ("Great Miracle"), together with the entire equity interests in Shan Dong Travel Service Holdings Limited (山東旅遊控股有限公司) ("Shan Dong Travel"), 青島海逸商業管理有限公司 (Qingdao Hai Yi Commercial Management Co., Ltd.) ("Qingdao Hai Yi") and 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.) ("Hai Yi Investment", together with Great Miracle, Shan Dong Travel and Qingdao Hai Yi, collectively referred to in this appendix as the "Acquired Group"), all are the direct or indirect wholly-owned subsidiaries of Great Miracle, at a consideration of HK\$52,704,000 (the "Acquisition"). The consideration under the Acquisition Agreement was to be satisfied by the issue and allotment of 60,859,122 new shares of the Company (the "Consideration Shares") at the issue price of HK\$0.866 per Consideration Share to Mr. Chen (or his nominee which shall be a company controlled by him) upon completion of the Acquisition Agreement.

Great Miracle, Shan Dong Travel and Qingdao Hai Yi are investment holding companies. Hai Yi Investment is principally engaged in sales of building materials and intelligent electronic products, including the sales of carpark management systems, building alarm systems and surveillance systems, and the holding of the interests of 6,510,000 shares in 青島華豐農村合作銀行 (Qingdao Huafeng Rural Co-operation Bank), a bank established in the PRC, and the interests in two properties located in Qingdao City, the Shandong Province, the PRC.

On 23 February 2010, the independent shareholders of the Company approved, among other matters, the Acquisition at the extraordinary general meeting held on the same date. The Acquisition completed on 25 February 2010 and all the Consideration Shares were issued and allotted to Fine Mean on the same date.

There is no variation on the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the members of the Acquired Group in connection with the Acquisition and as the consequence of the Acquisition.

Details of the Acquisition was announced by the Company in its announcements dated 16 December 2009, 21 December 2009, 23 February 2010 and 25 February 2010, and in its circular dated 29 January 2010 respectively.

9. FINANCIAL INFORMATION OF THE ACQUIRED GROUP

Financial information of each member of the Acquired Group (where applicable) for each of the three years ended 31 December 2006, 2007 and 2008, and the ten months ended 31 October 2009 is disclosed in pages 135 to 217 of the circular of the Company dated 29 January 2010, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.irasia.com/listco/hk/zhongtian).

For illustrative purposes only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group has been prepared by the directors of the Company in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) to illustrate the effect of the proposed rights issue on the basis of ten rights shares for every one existing share held on the record date (the “Rights Issue”) on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2010.

The Unaudited Pro Forma Financial Information of the Group is prepared based on relevant financial information as extracted from the published interim report of the Company for the period ended 30 June 2010, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue:

	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 <i>(Note 1)</i> HK\$'000	Add: Estimated net proceeds from the Rights Issue <i>(Note 2)</i> HK\$'000	Unaudited adjusted consolidated net tangible assets after attributable to owners of the Company as at 30 June 2010 HK\$'000	Unaudited consolidated net tangible assets attributable to owners of the Company per share prior to the completion of the Rights Issue <i>(Note 3)</i> HK\$	Unaudited adjusted consolidated net tangible assets attributable to owners of the Company per share upon the completion of the Rights Issue <i>(Note 4)</i> HK\$
Based on 1,808,591,220 Rights Shares issued	109,821	53,256	163,077	0.607	0.082

Notes:

1. The unaudited consolidated net assets attributable to owners of the Company as at 30 June 2010 of approximately RMB95.6 million (equivalent to approximately HK\$109.8 million, translated to HK\$ at closing rate of HK\$100=RMB87 at 30 June 2010), as extracted from the published interim report of the Company for the period ended 30 June 2010.
2. The estimated net proceeds from the Rights Issue of approximately HK\$53.26 million is calculated based on 1,808,591,220 Rights Shares to be issued at the subscription price of HK\$0.03 per Rights Share and after deduction of estimated related expenses, including legal and professional fees and other related expenses of approximately HK\$1 million
3. The calculation of the unaudited consolidated net tangible assets attributable to owners of the Company per share prior to the completion of the Rights Issue is based on 180,859,122 shares in issue as at 30 June 2010.
4. The calculation of the unaudited adjusted consolidated net tangible assets attributable to owners of the Company per share is based on 1,989,450,342 shares, which will be the total shares expected to be issued after the Rights Issue, representing the 180,859,122 shares in issue as at 30 June 2010 and at the Latest Practicable Date and the 1,808,591,220 Rights Shares.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from CCIF CPA Limited, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group for the sole purpose of incorporation in this Circular.

**CCIF****CCIF CPA LIMITED**

34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

10 January 2011

The Board of Directors
Zhongtian International Limited
21/F Huaren International Mansion
2 Shandong Road
Shinan District
Qingdao City
Shandong Province
The PRC

Dear Sirs

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Zhongtian International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), as set out in the circular of the Company dated 10 January 2011 (the "Circular"), in connection with the proposed rights issue of ten rights shares for every one existing share held on the Record Date (the "Rights Issue") of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accountant Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as requires by Rule 4.29 (7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given to us on any financial information used in the compilation for the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 (1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 (1) of the Listing Rules.

CCIF CPA Limited

Certified Public Accountants

Hong Kong

Leung Chun Wa

Practising Certificate Number P04963

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue (assuming (a) there is no issue or repurchase of Shares by the Company pursuant to the general mandates granted at the AGM; and (b) no grant of options under the share option scheme of the Company from the Latest Practicable Date and up to the completion of the Rights Issue) were as follows:

(i) As at the Latest Practicable Date

<i>Authorized:</i>	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.01 each	100,000,000.00
<i>Issued and fully paid:</i>	
180,859,122 Shares	1,808,591.22

(ii) Immediately following the completion of the Rights Issue (assuming (a) there is no issue or repurchase of Shares by the Company pursuant to the general mandates granted at the AGM; and (b) no grant of options under the share option scheme of the Company from the Latest Practicable Date and up to the completion of the Rights Issue)

<i>Authorized:</i>	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.01 each	100,000,000.00
<i>Issued and to be issued:</i>	
180,859,122 Shares in issue before completion of the Rights Issue	1,808,591.22
1,808,591,220 Rights Shares to be allotted and issued under the Rights Issue	18,085,912.20
1,989,450,342 Shares in issue immediately after completion of the Rights Issue	19,894,503.42

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Chen (<i>Note 1</i>)	Interest of a controlled corporation	1,861,384,001	1,029.19% (<i>Note 2</i>)
	Beneficial owner	60,775,000	33.60% (<i>Note 3</i>)

Notes:

- Mr. Chen is the beneficial owner of 100% of the issued shares in Fine Mean, and therefore, Mr. Chen is deemed, or taken to be, interested in the Shares which are beneficially owned by Fine Mean for the purposes of the SFO.

2. Those 1,861,384,001 Shares include the 1,080,427,810 Rights Shares which Fine Mean has undertaken to subscribe for in respect of all its provisional entitlement under the Rights Issue and all the Underwritten Shares which Fine Mean has obligations to subscribe for under the Underwriting Agreement. The percentage of shareholding in the Company is calculated on the basis of 180,859,122 Shares in issue as at the Latest Practicable Date.
3. Those 60,775,000 Shares include the 55,250,000 Rights Shares which Mr. Chen has undertaken to subscribe for in respect of all his provisional entitlement under the Rights Issue. The percentage of shareholding in the Company is calculated on the basis of 180,859,122 Shares in issue as at the Latest Practicable Date.

(ii) Long positions in shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Chen	Fine Mean	Beneficial owner	1	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding (Note 3)
Fine Mean (Note 1)	Beneficial owner	1,861,384,001	1,029.19%
Ms. Su Haiqing (Note 2)	Interest of spouse	1,922,159,001	1,062.79%

Notes:

1. Fine Mean is wholly owned by Mr. Chen. Mr. Chen is the sole director of Fine Mean.
2. Ms. Su Haiqing is the spouse of Mr. Chen. Under the SFO, Ms. Su Haiqing is deemed or taken to be interested in all the Shares in which Mr. Chen is interested.
3. The percentage of shareholding in the Company is calculated on the basis of 180,859,122 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) As at the Latest Practicable Date and save as disclosed below, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of its subsidiaries, respectively, since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Company were made up:

On 3 December 2009, the Company's wholly-owned subsidiary, New East Glory Limited (the "Purchaser") and Mr. Chen entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser had conditionally agreed to acquire and Mr. Chen had conditionally agreed to sell the entire issued share capital of Great Miracle Holdings Limited ("Great Miracle"), together with, among others, the interests of 6,510,000 shares in 青島華豐農村合作銀行 (Qingdao Huafeng Rural Co-operation Bank), a bank established in the PRC, and the interests in two properties located in Qingdao City, the Shandong Province, the PRC, all held by 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.) which is a wholly-owned

subsidiary of Great Miracle, at a consideration of HK\$52,704,000 (the “Acquisition”). The consideration under the Acquisition Agreement was to be satisfied by the issue and allotment of 60,859,122 new shares of the Company (the “Consideration Shares”) at the issue price of HK\$0.866 per Consideration Share to Mr. Chen (or his nominee which shall be a company controlled by him) upon completion of the Acquisition Agreement.

On 3 December 2009, 青島中天企業發展有限公司 (Qingdao Zhongtian Enterprise Development Co., Ltd.) (the “Vendor”), a wholly-owned subsidiary of the Company and Mr. Chen entered into a disposal agreement (the “Disposal Agreement”), pursuant to which the Vendor had conditionally agreed to sell and Mr. Chen had conditionally agreed to acquire (i) the 100% equity interest in the entire registered capital of 青島中天軟件園有限公司 (Qingdao Zhongtian Software Park Co., Ltd.) (“Zhongtian Software Park”), an indirect wholly-owned subsidiary of the Company; and (ii) all amounts due to the Vendor by Zhongtian Software Park and all loans made to Zhongtian Software Park by the Vendor as at 31 October 2009 which amounted to RMB50,026,887.79, at a consideration of RMB35,000,000 (the “Disposal”).

The completion of the Acquisition and the Disposal was inter-conditional. On 23 February 2010, the independent shareholders of the Company approved, among other matters, the Acquisition and the Disposal at the extraordinary general meeting held on the same date. The Acquisition and the Disposal completed on 25 February 2010 and all the Consideration Shares were issued and allotted to Fine Mean on the same date.

Details of the Acquisition and the Disposal were announced by the Company in its announcements dated 16 December 2009, 21 December 2009, 23 February 2010 and 25 February 2010, and in its circular dated 29 January 2010 respectively.

- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Mitsubishi UFJ Securities (HK), Limited	a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
CCIF CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts had been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the Underwriting Agreement;
- (ii) a share transfer agreement in Chinese dated 3 December 2009 and entered into between New East Glory Limited (“New East Glory”) and Mr. Chen in relation to acquisition of the entire issued capital of Great Miracle Holdings Limited (“Great Miracle”) by New East Glory from Mr. Chen, at a consideration of HK\$52,704,000;
- (iii) a share transfer agreement in Chinese dated 3 December 2009 and entered into between 青島中天企業發展有限公司 (Qingdao Zhongtian Enterprise Development Co., Ltd.) (“Qingdao Zhongtian Enterprise”) and Mr. Chen in relation to acquisition by Mr. Chen from Qingdao Zhongtian Enterprise of (i) the 100% equity interest in the entire registered capital of 青島中天軟件園有限公司 (Qingdao Zhongtian Software Park Co., Ltd.) (“Zhongtian Software Park”); and (ii) all amounts due to Qingdao Zhongtian Enterprise by Zhongtian Software Park and all loans made to Zhongtian Software Park by Qingdao Zhongtian Enterprise as at 31 October 2009, at a consideration of RMB35,000,000;

- (iv) an instrument of transfer dated 11 November 2009 and entered into between Great Miracle and Mr. Chen, pursuant to which Great Miracle acquired 10,000 ordinary shares in Shan Dong Travel Service Holdings Limited (山東旅遊控股有限公司) at a consideration of HK\$10,000;
- (v) a share transfer agreement in Chinese dated 2 November 2009 and entered into between 青島海逸商業管理有限公司 (Qingdao Hai Yi Commercial Management Co., Ltd.) (“Qingdao Hai Yi”) and Mr. Chen, pursuant to which Qingdao Hai Yi acquired 100% equity interest in 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.) from Mr. Chen at a consideration of RMB25,000,000; and
- (vi) a placing agreement dated 28 September 2009 and entered into between the Company and Cinda International Capital Limited (acting as the placing agent) in relation to the placing of 20,000,000 new Shares.

10. CORPORATE INFORMATION

Registered office of the Company	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office of the Company	21st Floor Huaren International Building No. 2 Shandong Road Shinan District Qingdao City Shandong Province The PRC
Principal place of business of the Company in Hong Kong	Suites 2001-2005, 20th Floor Jardine House 1 Connaught Place Central Hong Kong
Branch share registrar and transfer office of the Company in Hong Kong	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen’s Road East Wanchai Hong Kong

Authorized representatives	Chen Jun Room 1001, Block 7 No. 1 Zhang Hua Road Shinan District Qingdao City Shandong Province The PRC Zhao Yun No. 302, North Door No. 10 Tai Ping Jiao Si Road Shinan District Qingdao City Shandong Province The PRC
Legal advisers to the Company	<i>(as to Hong Kong laws)</i> Loong & Yeung Suites 2001-2005, 20th Floor Jardine House 1 Connaught Road Central, Hong Kong <i>(as to Cayman Islands laws in respect of the Rights Issue)</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditors	CCIF CPA Limited Certified public accountants 34/F The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation No.1 Queen's Road Central Hong Kong

Qingdao Huafeng Rural Co-operation Bank
Shazikou Branch
No. 121 Laoshan Road
Laoshan District
Qingdao City
Shandong Province
The PRC

Particulars of Directors**Name****Address****Executive Directors**

Chen Jun

Room 1001, Block 7
No. 1 Zhang Hua Road
Shinan District
Qingdao City
Shandong Province
The PRC

Zhao Yun

No. 302, North Door
No. 10 Tai Ping Jiao Si Road
Shinan District
Qingdao City
Shandong Province
The PRC

Independent non-executive Directors

Hung, Randy King Kuen

Flat B, 10/F
Holly Court
1 Holly Road
Happy Valley
Hong Kong

Liu Jinlu

Room 102, 7th Floor
17# Building, Block 1
Tiantong Beiyuan
Changping District
Beijing City
The PRC

Chen Wenping

Room 302, Unit 3
No. 6 Pei Xian Road
Shinan District
Qingdao City
Shandong Province
The PRC

Executive Directors:**Mr. Chen Jun (陳軍)**

Mr. Chen, aged 38, appointed as an executive Director on 6 March 2007 and as the Chairman on 27 March 2007, is currently a supervisor of 青島中天企業發展有限公司 (Qingdao Zhongtian Enterprise Development Co., Ltd.). Mr. Chen is also a director of Success Advantage Limited (成益有限公司), Great Miracle Holdings Limited (精英控股有限公司), Shan Dong Travel Service Holdings Limited (山東旅遊控股有限公司), Qingdao Hai Yi Commercial Management Co., Ltd. (青島海逸商業管理有限公司), Boxing Group Limited (寶勝集團有限公司), Hongkong Zhongtian Mining Limited (香港中天礦業有限公司) and 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.), all are wholly-owned subsidiaries of the Company. Mr. Chen graduated from The People's Republic of China's Marine and Submarine College (中國人民解放軍海軍潛艇學院). Mr. Chen has over 13 years of experience in corporate planning and management.

Save as disclosed above, Mr. Chen does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

As at the Latest Practicable Date, Fine Mean owned 108,042,781 Shares (approximately 59.74% of the issued share capital of the Company). Mr. Chen owned the entire issued share capital of Fine Mean and personally held 5,525,000 Shares, resulting in Mr. Chen had a deemed interest in all the Shares held by Fine Mean for the purpose of the SFO, and together with the Shares personally held by him, making Mr. Chen have interests in an aggregate of 113,567,781 Shares (approximately 62.79% of the issued share capital of the Company).

Save as disclosed above, Mr. Chen does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no other interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Zhao Yun (趙贇)

Mr. Zhao, Chief Executive Officer of the Group, aged 37, appointed as an executive Director on 6 March 2007, is currently a director of Success Advantage Limited (成益有限公司), Golden Century Trade Limited (金世紀貿易有限公司), Best Sight Limited (瑋邦有限公司), 青島中天企業發展有限公司 (Qingdao Zhongtian Enterprise Development Co., Ltd.) and New East Glory Limited (東耀有限公司), all are wholly-owned subsidiaries of the Company. Prior to joining the Group, he was an investment manager of 青島海逸投資諮詢有限公司 (Qingdao Sealand Investment Consultation Co., Ltd.). Mr. Zhao graduated from 南開大學 (Nankai University) and 中國人民解放軍海軍潛艇學院 (The People's Republic of China's Marine and Submarine College). Mr. Zhao has over 8 years of experience in corporate investment.

Save as disclosed above, Mr. Zhao did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Zhao does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he had no interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

Independent non-executive Directors:

Mr. Hung, Randy King Kuen (孔敬權)

Mr. Hung, aged 44, is an independent non-executive Director and joined the Group in July 2004. Mr. Hung is a Fellow Certified Public Accountant of Hong Kong and a Certified Public Accountant of the United States. He holds a bachelor's degree of science in accounting and a certificate of programming and data processing from the University of Southern California, a certificate of China Law, Taxation and Finance from the Chinese University of Hong Kong and a Hong Kong Securities Institute Specialist Certificate in corporate finance. Mr. Hung is currently an independent non-executive director of Zhongyu Gas Holdings Limited (stock code: 8070) and was an executive director of China Shineway Pharmaceutical Group Limited (stock code: 2877) and an independent non-executive director of China Oriental Culture Group Limited (formerly known as ZZNode Technologies Company Limited) (stock code: 2371). Mr. Hung is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants, deputy chairman of training committee of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institutes.

Save as disclosed above, Mr. Hung does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Hung does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Chen Wenping (陳文平)

Mr. Chen, aged 37, is an independent non-executive Director and joined the Group in May 2007. He graduated from The Shandong Academy of Economy (山東經濟學院), majoring in finance in 1998 and had been qualified as a PRC lawyer in 2001. Mr. Chen has extensive experience in accounting and financial management. He had worked for 山東匯德會計師事務所有限公司 (Shandong Huide Accounting Firm Co., Ltd.) for 3 years as a practicing accountant and valuer. He is currently the department head of the finance department of 青島高校軟控股份有限公司 (Qingdao Mesnac Co., Ltd.), which is a PRC listed company.

Save as disclosed above, Mr. Chen does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Chen does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Liu Jinlu (劉金祿)

Mr. Liu, aged 48, is an independent non-executive Director and joined the Group in May 2010. He graduated from The Beijing Sport University (北京體育大學). Mr. Liu had been the deputy head of 北京金鼎木質品廠 (Beijing Jinding Muzhipin Factory) from 1983 to 1998 and has been the general manager of 北京天頌三佳緣商貿中心 (Beijing Tiansong Sanjiayuan Commercial Centre) since 1998.

Save as disclosed above, Mr. Liu does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group, and save as disclosed above, he does not have other major appointments and professional qualifications.

Mr. Liu does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

11. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY 1-1111, Cayman Islands.
- (b) The secretary of the Company is Mr. Tai, Man Hin Tony. Mr. Tai is an associate member of the Institute of Chartered Accountants in England & Wales, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1,000,000 and are payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays in Hong Kong) at the principal place of business of the Company in Hong Kong at Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this circular up to and including the date of the First EGM:

- (a) the Memorandum and the Articles;
- (b) the annual reports of the Company for the three financial years ended 31 December 2007, 31 December 2008 and 31 December 2009;
- (c) the interim report of the Company for the six months ended 30 June 2010;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (e) the letter of advice from Mitsubishi UFJ, the text of which is set out on pages 23 to 41 of this circular;
- (f) the letter on the unaudited pro forma financial information of the Group issued by CCIF CPA Limited set out in appendix II to this circular;
- (g) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix;
- (h) the written consents referred to in the paragraph under the heading “Experts” in this appendix; and
- (i) the circular of the Company dated 29 January 2010 pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING



ZHONGTIAN INTERNATIONAL LIMITED 中天國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 02379)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Zhongtian International Limited (the “Company”) will be held on 26 January 2011 (Wednesday) at 10:00 a.m. at 21st Floor, Huaren International Building, No. 2 Shandong Road, Shinan District, Qingdao City, Shandong Province, the PRC for considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the underwriting agreement (the “**Underwriting Agreement**”) dated 17 December 2010 entered into between the Company and Fine Mean Investments Limited (the “**Underwriter**”), a copy of which has been produced at the Meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose be and is hereby approved, confirmed and ratified in all respects; and subject to the fulfillment or waiver (as appropriate) of the conditions of the Rights Issue (as defined below) as set out in the Underwriting Agreement, including but not limited to (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (as defined below) in their nil-paid and fully-paid forms to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement not being terminated in accordance with the terms thereof on or prior to 4:00 p.m. on the third business day following the last date for acceptance and payment of the Rights Shares or such other date as the Underwriter and Company may agree in writing:

- (i) the issue of 1,808,591,220 new shares of HK\$0.01 each (the “**Rights Shares**”) in the capital of the Company pursuant to an offer by way of rights to holders of shares in the Company of HK\$0.01 each (the “**Shares**”) at HK\$0.03 per Rights Share (the “**Rights Issue**”) in the proportion of ten Rights Shares for every one Share held by the Shareholders whose names appear on the register of members of the Company on 26 January 2011 (or such other date as the Underwriter may agree in writing with the Company) (the “**Record Date**”) on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 10 January 2011 (the “**Circular**”) (a copy of which having been produced to the Meeting and marked “B” and initialled by the chairman of the Meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company (the “**Directors**”) be and is hereby approved provided that (a) no Rights Shares shall be offered to

* for identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”) and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non-Qualifying Shareholders pro rata to their holding of Shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (b) to the extent that the Rights Shares referred to in (a) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

- (ii) the Directors be and are hereby authorized to issue and allot the Rights Shares on the terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and any of the transactions contemplated thereunder.”

By order of the Board
Zhongtian International Limited
Chen Jun
Chairman

Qingdao, Shandong Province, the PRC, 10 January 2011

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
5. Where there are joint holders of any Shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
7. The transfer books and the Register of Members of the Company will be closed from Friday, 21 January 2011 to Wednesday, 26 January 2011, both days inclusive. During such period, no Share transfers will be effected. In order to qualify for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 January 2011.
8. A form of proxy for use at the Meeting is enclosed.